

OC



Auditor-Controller Business Plan 2006

"To Account for the Past, Direct the Present and Shape the Future"

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Auditor-Controller



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I am pleased to present the 2006 Auditor-Controller Department's Business Plan. This plan, as with our previous plans, was developed collaboratively with staff. The plan conveys our dedication to serve our customers, both internal and external, and our appreciation of our staff and their many contributions. We continue to provide the highest levels of service while keeping our staff levels to a minimum. Our most important asset will continue to be our staff. With staff support, we will meet our responsibilities and meet our goals. This remains critical, given our significant staff losses resulting from the implementation of the enhanced retirement benefits that occurred in July. Our comprehensive succession plan served us well, as we were able to plan for anticipated staff turnover. Unfortunately, we experienced additional turnover as other departments hired away our staff to solve their turnover issues. As an example, our Claims Unit experienced a 50% turnover. We are moving to shore up the Claims area by adding experienced accounting managers to the claims staff.

Our plan for 2006 continues our focus on leveraging technology by providing workflow initiatives that will provide substantial efficiencies to the County in carrying out its day-to-day work. ERMI (Electronic Report Management and Imaging) has paved the way for the rollout of paperless workflows in accounting, purchasing, and human resources. Our rollout of the VTI (virtual timesheet interface) system is nearly complete throughout the County – Public Defender and the Courts will implement the system this year, and the Sheriff's department is actively considering implementing VTI. This system was the first extensive workflow system for the County and provided significant savings and efficiencies. Our deployment of the "employee portal" for distribution of pay stubs was well received by employees and administrators alike. In addition, we sponsored the implementation of a training management system that is suitable for county-wide use. We are now ready to leverage our recent successes. For example our "req. to check" pilot project for IP3 (Integrated Procurement and Payables Processing) will demonstrate the cost-effectiveness of a totally paperless procurement/vendor payment workflow. This project, which is targeted for completion in 2006, will greatly enhance accountability and control while reducing the time and effort required settling claims against the County for goods and services. In addition, we have a significant portfolio of projects in development, including a rewrite of the Assessment-Tax System (ATS), the Fund Revenue and Expense Tracking (FRET) system, office supply workflow, journal voucher workflow, deposit order workflow, and workflow for mileage claims. We believe that technology will allow the existing County workforce to better deal with the budget difficulties we are all facing.

Although we continue to invest a significant amount of resources in technology, we will not neglect our core functions. \$4.9 billion in property taxes will be accurately calculated and distributed, over 1,600 reports and claims will be filed timely, millions of financial transactions will be appropriately recorded, the County's \$5 billion investment pool will be monitored, the County's \$5 billion of budget appropriations will be controlled, and over \$3 billion of claims will be accurately paid.

In conclusion, I am confident that we are heading in the right direction, and that our office will continue to contribute to the success of our County.

Sincerely,

David E. Sundstrom, CPA
Auditor-Controller

AUDITOR-CONTROLLER 2006 BUSINESS PLAN

TABLE OF CONTENTS

	Page
Letter from the Auditor-Controller	
I. Executive Summary	1
II. Vision, Mission and Goals	4
<i>A. Vision and Mission</i>	
<i>B. Goals</i>	
<i>C. Key Outcome Indicators</i>	
III. Operational Plan	8
<i>A. Clients</i>	
<i>B. Challenges</i>	
<i>C. Resources</i>	
<i>D. Strategies and Outcome Indicators</i>	
IV. Appendices.....	25
<i>A. Organization Chart</i>	
<i>B. Executive Management Team</i>	
<i>C. Leadership Cabinet</i>	
<i>D. Labor Management Committee</i>	
<i>E. Business Plan Team</i>	
<i>F. Accomplishments</i>	
<i>G. Client Survey Results</i>	
<i>H. Three-Year Workload Measures</i>	

I. EXECUTIVE SUMMARY

The Auditor-Controller is the elected County official responsible for providing unbiased and accurate financial information to his many clients. Our internal clients (County Board of Supervisors, departments/agencies and employees) and County vendors count on us to provide financial services such as payment of claims and payroll processing. Conversely we rely on their cooperation to improve the efficiency and effectiveness of our systems. Our many external clients (county cities, schools and special districts) depend on our accurate and timely tax apportionments to fund their organizations. In addition, the Department provides information to various stakeholders who have a vested interest in the effective functioning of the County, such as regulatory agencies, County bondholders, and the general public. These responsibilities require a major investment in personnel and financial/accounting systems, and a significant effort to stay current with technology, new legislation, and governmental accounting pronouncements.

The Department increased Countywide productivity through further expansion of technology. The Electronic Report Management and Imaging system (ERMI), implemented in 2001, continues to be widely used and is depended upon to provide quick and easy access to financial information. Initiatives to further increase productivity are focused on development of electronic workflow processes. These initiatives include the recently completed payroll adjustment form being rolled out to departments; the office supplies purchasing project; and the Integrated Procurement and Payables Processing system (IP3). The most widely used workflow currently used in the County is the Virtual Timecard Interface system (VTI) which was expanded in 2005 to include HCA.

The Department's Financial Reporting staff issued the County's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2005, in compliance with the requirements of the Governmental Accounting Standards Board and received a clean audit opinion from the County's external auditors. It also continues to receive the Government Finance Officers' Association Certificate of Achievement for Excellence in Financial Reporting. In addition to the CAFR, the Department issued its third OC Citizens' Report for the fiscal year ending June 30, 2005. This report continues to receive the Government Financial Officers' Association Award for Outstanding Achievement in Popular Financial Reporting. The OC Citizens' Report was completed to complement the CAFR and presents financial highlights for the County of Orange. It is intended for the general or casual reader of the County's financial statements. Both the OC Citizens' Report and the CAFR are easily accessible on the Auditor-Controller's web site (www.ac.ocgov.com).

As in prior years, the Auditor-Controller met regularly with all of his managers and staff, County executives from every department and agency, the CEO, and members of the Board of Supervisors. During these meetings, the Board members and Department executives have noted our positive impact on County government, and the value and criticality of services provided by this department. In particular, the Auditor-Controller's vision was shared for improving the County's financial information systems. These visits, combined with information gained from client surveys, meetings with employees, performance measures, and personal observations, were used to assess existing goals.



From this assessment of service requirements, technological advancements and department resources, the Auditor-Controller established the Department's strategic priorities to reflect its vision and mission. This incorporates the Auditor-Controller's desire to increase the efficiency, productivity, and utilization of financial systems through the application of technological enhancements.

Additionally, the Department continued to be successful in many efforts to improve staff well being. We continue to promote employee recognition; improve inter-office communications; support the Management Appraisal Plan and the Labor Management Committee; and develop efficient work environments as well as technical training.

The Auditor-Controller's *vision* is to be the County's trusted source of financial information to account for the past, direct the present, and shape the future. The Auditor-Controller's *mission* is to promote public oversight, provide accountability, and support financial decision-making for the County.

On the journey to fully achieving this vision and mission, the Auditor-Controller developed ambitious goals involving the entire County as well as the Department. Annual updates on the strategic priorities will reflect the adjustments required to reach these goals (discussed in the next section).

Ongoing changes and increases in County programs constantly impact the Auditor-Controller Department. These challenges made it necessary for the Department to implement the following practices: installing new technology, decentralizing certain activities, and taking a risk-based approach in maintaining control structures. Upon reviewing the goals for 2006 and beyond, the Auditor-Controller believes continuing adaptability will be crucial in fulfilling the vision and achieving the long-term goals. For 2005, the Department accomplished nearly all of the strategic priorities established in its Business Plan. Continued progress towards meeting support-oriented goals (such as technological improvements and modernizing policies and procedures) will help to continue improving the level of services provided to clients.

This 2006 Business Plan emphasizes the importance of adding value to the County's services and programs by continuing the development and implementation of advanced technology, which will result in more efficient and faster processing, retrieval, and compilation of financial data for reporting, payment, claiming, and budgetary purposes. Combined with the continuing analysis of policies and procedures to determine the value of controls relative to business risks, this will serve to increase customer satisfaction while maintaining a sound control environment. By using



technology to leverage resources, implementing new accountability measures for the Department, and maintaining a leadership role in oversight of the County's financial activities, this Department will continue to increase the value of the accounting and financial services it provides to the County.

The Auditor-Controller Department faces many challenges in maintaining its ability to continue providing all necessary accounting services. Changes in legislation, increases in regulatory requirements, continual technological advances, growing training requirements, and competition for resources present major challenges. Short-term investments in systems and technology improvements will result in long-term payoffs in increased productivity and efficiency, enabling this Department and the County as a whole to meet these challenges. Over the long term, the County must determine the strategic direction it will adopt for the Countywide Accounting and Personnel System (CAPS). The version of the application currently in use will not be a viable option in the near future. Therefore, a decision to upgrade or replace it needs to be made. Also, the project to upgrade the Assessment Tax System (ATS) is under way. The ATS team has acquired software development tools and has contracted with a consultant for a Needs Assessment for ATS.



II. VISION, MISSION AND GOALS

A. Vision and Mission

The Auditor-Controller Department's vision, mission statement, and goals for 2006 emphasize the value that its varied operations bring to its clients and stakeholders. The process of developing these core business statements was a collaborative effort involving all members of its management staff and other staff at varying levels throughout the organization, and these statements reflect the needs of the Department's many clients and stakeholders.

The Auditor-Controller's **vision** is to be the County's trusted source of financial information to account for the past, direct the present, and shape the future.

The Auditor-Controller's **mission** is to promote public oversight, provide accountability, and support financial decision-making for the County.

As the Auditor-Controller Department carries out its vision and mission, it will conduct business with the highest ethical and due diligence standards and demonstrate commitment to the public, other County departments and agencies, and its own employees.

B. Goals

In order to realize its vision and mission, the Auditor-Controller developed the following long-term goals:

1. Assist in controlling the financial risk faced by the County.
2. Promote accountability by developing and enforcing systems of accounting controls.
3. Anticipate and satisfy our stakeholders' and clients' needs for financial services and reliable information.
4. Increase Countywide organizational effectiveness by making appropriate investments in our staff and technology.

C. Key Outcome Indicators

The Department identified several key outcome indicators to evaluate its overall success in relation to its goals. These indicators have been associated with the strategic priorities discussed in the 2006 Operational Plan presented in Section III. These key outcome indicators are discussed on the following page.

Key Outcome Indicator #1: To receive an unqualified (highest possible) audit opinion and the Government Finance Officers' Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting for the County's Comprehensive Annual Financial Report (CAFR).

Outcome Indicator	FY 04-05 Results	FY 05-06 Plan	FY 05-06 Anticipated Results	FY 06-07 Plan	How are we doing?
<p><u>What:</u> Measures the integrity and accuracy of the County's annual financial statements.</p> <p><u>Why:</u> Provides assurance to the Federal and State governments, investors, and bond rating agencies that the CAFR fairly presents the financial position of the County.</p>	The County received both an unqualified opinion and the GFOA Certificate for the FY 2003-04 CAFR. The County received an unqualified opinion and expects to receive the GFOA Certificate for the FY 2004-05 CAFR.	The department plans to continue maintaining the books and records of the County in a manner that will ensure that the County receives an unqualified opinion and the GFOA certificate on its CAFR.	The department expects to achieve the same high level of success for FY 2004-05, by implementing recent pronouncements of the Governmental Accounting Standards Board.	The department plans to continue maintaining the books and records of the County in a manner that will ensure that the County receives an unqualified opinion and the GFOA certificate on its CAFR.	The department achieved both an unqualified opinion and the GFOA Certificate on the CAFR, for FY 2003-04. The department has implemented new post-GASB 34 pronouncements from the GASB in the preparation of the FY 2004-05 CAFR, which was completed in December 2005.

Key Outcome Indicator #2: 99% of all property taxes will be allocated to taxing agencies on time.

Outcome Indicator	FY 04-05 Results	FY 05-06 Plan	FY 05-06 Anticipated Results	FY 06-07 Plan	How are we doing?
<p><u>What:</u> Measures ability to meet deadlines for computing property tax bills and allocating tax revenues.</p> <p><u>Why:</u> Provides timely revenue to County taxing agencies that receive funding from tax revenues.</p>	The department met all property tax deadlines, apportioning over \$4.9 billion in property taxes, penalties, special taxes/assessments, and interest to over 380 cities, schools, and special districts including redevelopment projects in 61 separate apportionments.	Scheduled property tax apportionment dates for FY 2005-06 were sent out to all taxing agencies July 20, 2005, and the plan is to meet all of the scheduled dates.	Property tax apportionment dates are all scheduled for FY 2005-06, and the department fully expects to meet all property tax deadlines in FY 2005-06.	The department also expects to meet this goal through FY 2006-07.	Property tax apportionment deadlines continue to be met in spite of the complexity of the tax allocation process. All deadlines have been met so far this fiscal year (FY 2005-06).

Key Outcome Indicator #3: 99% of State and Federal claims will be filed in time to satisfy cash flow requirements.

Outcome Indicator	FY 04-05 Results	FY 05-06 Plan	FY 05-06 Anticipated Results	FY 06-07 Plan	How are we doing?
<p><u>What:</u> Measures compliance with deadlines that assure timely receipt of funds and avoidance of penalties.</p> <p><u>Why:</u> The amount of revenue associated with these claims is over \$1 billion.</p>	The department achieved better than 99% compliance.	The department will continue to file claims for State and Federal funds on time, thereby avoiding penalties/sanctions and ensuring funding for the many County programs reliant upon these monies.	The department expects to have 99% compliance in FY 05-06.	The department will remain committed to timely submission of more than 1,600 required claims and reports, in order to maximize revenue, avoid penalties, and maintain funding for the many County programs, which rely on State and Federal participation.	State and Federal funds continue to be claimed in a timely manner.

Key Outcome Indicator #4: Achieve CAPS user satisfaction with Financial and Payroll systems of 90% or higher.

Outcome Indicator	FY 04-05 Results	FY 05-06 Plan	FY 05-06 Anticipated Results	FY 06-07 Plan	How are we doing?
<p><u>What:</u> Measures client satisfaction with support provided by A/C Information Technology Staff.</p> <p><u>Why:</u> To meet and exceed expectations of CAPS users.</p>	Survey was distributed to approximately 1,800 CAPS users. We received 468 responses. Measured satisfaction in key functional areas (Payroll, Job Cost, Claims Processing, etc.) Satisfaction was at 98% for Staff Support and 96% for Quality of Information Provided.	Follow up on comments from 04-05 survey.	We fully expect to meet or exceed targets.	Continue conducting an annual survey to stay on track and address clients' needs.	For the third year, distribution of the survey was substantially increased. The results continue to be outstanding. The feedback provided through comments will allow us to focus on areas requiring further improvement.

Key Outcome Indicator #5: Reduce hard copy and fiche printing and distribution cost by 20%.

Outcome Indicator	FY 04-05 Results	FY 05-06 Plan	FY 05-06 Anticipated Results	FY 06-07 Plan	How are we doing?
<p><u>What:</u> Measures reduction of report preparation and access costs due to new imaging technology.</p> <p><u>Why:</u> Ready access to report information, coupled with the ability to readily extract report information for use in other processes, can eliminate paper printing and distribution costs as well as automate manual processes.</p>	Countywide rollout of WebERMI has been completed. User training substantially completed. Expanded usage of Data Mining. Resulting savings for report print and distribution was approximately \$186,000 for FY 04-05 beating a projection of saving of \$120,000.	Continue to eliminate hardcopy and print distribution.	Continue to eliminate hardcopy print and distribution as appropriate. Add other documents to imaging as necessary.	Continue reductions as warranted. Establish new measure. (See below).	Over the past two years we have turned off printing of over 90% of hard copy reports and microfiche. With few exceptions the remaining print jobs are for laser printed forms, turn around documents and reports that are required in printed hard copy.

Key Outcome Indicator #5: Reduce internal and external keypunch by 80%.

Outcome Indicator	FY 04-05 Results	FY 05-06 Plan	FY 05-06 Anticipated Results	FY 06-07 Plan	How are we doing?
<p><u>What:</u> Measures reduction in use of internal and external keypunch</p> <p><u>Why:</u> Direct entry of information into the system eliminates the need for double entry of data and, coupled with electronic workflow, eliminates the need to have a paper based process.</p>	New measure	Develop RFP to acquire workflow software to enable flexible, user-friendly, online processing of transactions	Acquisition of software and commencement of development of work for Mileage Claims and Deposit Orders.	Reduce or eliminate data entry for Journal Vouchers, Mileage Claims and Deposit Orders. Reduce timecard data entry services through further implementation of VTI.	RFP for software has been issued and review team will complete selection process in Q3 FY 05-06.

III. OPERATIONAL PLAN

The Auditor-Controller Department has updated its Operational Plan for 2006 to match its vision, mission, and goals set forth in Section II. Upon careful examination of our client population and challenges, and the resources available to us, the Department determined that a single operational plan is the most appropriate way to measure its success in attaining each of its goals. This is because the goals are closely inter-related, involve the team efforts of staff working in all sections of the department, and cannot be separated into distinct programs that can be independently measured.

A. Clients

The Auditor-Controller's clients are divided into three major categories: internal clients, external clients, and other stakeholders.

1. Internal Clients

Departments/Agencies (the Board of Supervisors, the County Executive Office, and all other departments/agencies that use Auditor-Controller services): The Auditor-Controller is the chief accounting officer for the County and operates its central accounting systems. As such, County leadership depends on the Auditor-Controller Department to provide accurate revenue projections and budgetary control over Board-approved appropriations. Other departments and agencies also depend upon the Auditor-Controller to provide timely basic services such as payroll, vendor payments, cost accounting, and general accounting without interruption. This allows the other departments and agencies to concentrate on their core businesses, thereby ensuring that their clients receive service they require and deserve.

The Public Finance Accounting unit worked closely with the CEO to complete the refinancing of the County's bankruptcy debt, reducing the debt payment schedule by ten years and saving over \$100 million.



RDMD Accounting worked closely with RDMD to successfully implement a new County Property Permits system that invoices customers and tracks deposits and refunds

In addition to these basic accounting services, the department provides specialized accounting services for departments/agencies hosting an outstationed Auditor-Controller accounting team. Examples of these specialized services are the performance of accounting functions such as reimbursement claiming, financial reporting, accounts receivable, accounts payable, payroll, job cost accounting, grant accounting, special

information reports for management decision making, providing consultation on special projects, and determining strategies to accomplish business objectives. The outstationed Auditor-Controller teams are located in the Health Care Agency (HCA), Housing and Community Services (H&CS), the Integrated Waste Management Department (IWMD), John Wayne Airport (JWA), the Resources & Development Management Department (RDMD), the Social Services Agency (SSA), and the County Executive Office/Public Finance Section.



County Employees: County employees rely on the Auditor-Controller for critical services such as payroll and reimbursement programs. The most important product of the department to these clients is payroll services. Without timely, accurate payroll services to compensate its employees, the County could not meet its mission of providing constituents with critical services.

Auditor-Controller Employees: Although services such as payroll are just as important to the Auditor-Controller's own staff, the department also must ensure that its most important resource, its people, are motivated and equipped with necessary tools to accomplish the mission of the department and work diligently towards attaining its vision. Staff development, through improved training opportunities and a performance recognition program, allows the Department to make progress towards these objectives.

2. **External Clients - Non-County Clients who receive Auditor-Controller Services.**

Other Governmental Entities (State agencies, Federal agencies, cities, special districts, school districts, and other governmental or quasi-governmental agencies): These entities require many forms of reporting, including financial statements and various types of reports, to manage their businesses and comply with the many laws and regulations under which they work. Additionally, many of these entities are dependent on the Auditor-Controller Department to ensure their revenue streams are in place, such as property tax apportionments, Proposition 172 Public Safety Sales Tax funds, and other types of revenue. Basic accounting services are also provided for some specific non-County entities, such as a few independent special districts.

The Auditor-Controller's office supports the budget development process by providing periodic estimates of fund level revenues and Fund Balance carryover to the County Executive Office.

Individuals, Vendors, Private Sector Entities, Clients of County Departments/Agencies: The Auditor-Controller Department makes payments to the County's creditors and vendors, provides information or reports to businesses and individuals, including clients of other departments/agencies, and participates in oversight of public assets for all interested parties through membership in the Audit Oversight Committee, the Treasury Oversight Committee, and the Public Finance Advisory Committee.

The Government Finance Officers' Association issued an outstanding achievement award for the Auditor-Controller Department's issuance of the County's OC Citizens' Report.

3. **Other Stakeholders -** These clients, such as rating agencies, investors, and public oversight groups, overlap with the individuals and private sector entities cited under "External Clients". In addition to



the services provided to external clients, the Department provides other stakeholders with services in the area of oversight and financial information such as annual reports, specifically the CAFR and ballot fiscal analyses. Along with this type of reporting goes the assurance that the overall accounting systems in place are functioning as intended by management.

B. Challenges

The Auditor-Controller Department is constantly challenged by changes in workload resulting from growth of County departments, agencies and their programs, which require greater accounting support from this Department. Examples include the ongoing upgrade of the County's accounting, financial,

personnel, and property tax systems; requests from other departments for interfaces with accounting systems to make their departments more efficient; legislative and other legal mandates impacting operational areas; and accounting policy and procedural mandates set by standard-setting bodies such as the Governmental Accounting Standards Board (GASB). Specific challenges facing the Department in 2006 are detailed below.

1. Legislative Mandates/Litigation/Other Mandates

The Auditor-Controller continues to meet the challenges resulting from new legislative and other mandates. The Department must also implement new generally accepted accounting principles (GAAP) for governmental agencies as mandated by the Governmental Accounting Standards Board (GASB). Meeting these challenges requires reallocation of resources and reprioritization of other tasks and, in some cases, delays in completing other tasks. We will continue to track ongoing legislation, litigation, and GASB pronouncements and inform the CEO and Board of significant changes affecting our department. Mandates impacting our 2006 workload include:

The Auditor-Controller's Department eliminated a keypunch contract by processing Journal Vouchers internally, improving efficiency and processing speed.

Extensive preparatory work to implement CalWIN by the State required date of February 2006. CalWIN replaces the SSA Case Data System and requires several interfaces with the CAPS systems.

The State, in FY 2004-05, implemented legislation referred to as "Triple Flip" which replaced one-quarter percent of local sales taxes with Property taxes for Cities and Counties. This exchange has been implemented and is being monitored, and at some future date this flip will be reversed when the State Debt is retired.



Compliance with Health Insurance Portability and Accountability Act (HIPAA) regulations.

Implementation of new Governmental Accounting Standards Board (GASB) Statements:

- a. GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans*, and Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which will require the measurement and recognition of expenses and related liabilities, note disclosures, and required supplementary information in the financial reports.



- b. GASB Statement No. 47, *Accounting for Termination Benefits*, which establishes the requirements for recognition of expenses and liabilities for voluntary and involuntary termination benefits.

- c. GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section – an amendment of NCGA Statement I*, which will require a radical change to and expansion of the Statistical Section of the CAFR, including presentation of comparative data for ten years of fund level and government-wide accounting information, as well as many new economic, statistical, and performance indicators which will require a continuing increased workload for the Financial Reporting/Mandated Costs Unit staff.

The Auditor-Controller received the Award for Achieving Excellence in Financial Reporting from the State Controller's Office.

- d. GASB Statement No. 46, *Net Assets Restricted by*

Enabling Legislation, which clarifies the GASB 34 statement disclosure requirements for limitations on the use of net assets imposed by enabling legislation.

- e. GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, which will require analysis of and accounting for decreases in the value of capital assets caused by natural disasters (fire, earthquake, floods, etc.), accidents, obsolescence, and changes in use and/or capacity, and accounting for the related insurance recoveries.

2. Technology

Replacement of County Accounting and Personnel System (CAPS)

In FY 04-05 the CAPS Steering Committee directed its efforts to conduct a thorough analysis of all available CAPS replacement alternatives. The CAPS Strategic Assessment would assist the CAPS Steering Committee in determining a strategic direction for the County's finance, purchasing and human resources information systems. The Strategic Assessment objectives were to: identify the County's business processes to be included in the assessment; develop a strategic-level needs assessment for these business processes; identify the problems with the current system in meeting the County's business needs; and develop business cases for the viable alternatives. After completion of the assessment, the CAPS Steering Committee would return to the Board with a strategic direction recommendation for CAPS.

The CAPS Strategic Assessment is critical to having a final and complete strategy that the County can implement in a timely manner to address functional and technological issues related to the current application. The services of Gartner, Inc. were engaged to conduct the strategic assessment. Research on possible alternatives was completed and presented to the Steering Committee.

Additional research on some of the alternatives was requested by the Steering Committee. This research is near completion and will be presented to the Steering Committee. A final report and recommendation to the Board of Supervisors is expected to be made in January 2006.

Meeting Continued Service Demands of CAPS Users

Given that a replacement for CAPS is not expected to be in place for a number of years, there are a number of challenges as well as opportunities for the Information Technology (IT) Division:

Ongoing Support

The IT Division not only continues to provide ongoing support of the core financial and payroll accounting systems, but also seeks to find ways to improve processes through automation

Leveraging Existing Technology

Realizing that implementation of the replacement will take a number of years, the Auditor-Controller Department will continue to foster an environment that encourages innovation in office automation through small, incremental changes to processes that lay the foundation for larger, more significant changes down the road. Though the changes may be incremental, the impact can be significant and successful implementation will require teamwork, cooperation, commitment and active participation by various systems owners. A number of initiatives are already under way or have been completed:

Partnering with HCA to implement workflow of office supplies procurement and payment. The solution utilizes existing workflow functionality in the office supply vendor's



website, along with the County's Electronic Document Management (EDM) application, OnBase. An initial rollout to part of the agency was completed in May 2005 and the agency-wide rollout was completed in October 2005.

Rollout of workflow for processing Payroll Adjustments. The solution replaces a paper based process with an electronic workflow for approval of transactions entered directly into the system. The solution utilizes existing functionality of the AMS Advantage application and has been successfully implemented at SSA, Probation and Public Defender and plans for a Countywide rollout are under way. HCA is scheduled for completion in February 2006. These four agencies account for sixty percent of the pay adjustments in the County.

Rollout of Fund Revenue and Expense Tracking (FRET) system to assist financial managers and Department Heads in tracking actual revenues and expenses. The application utilizes Business Objects, a powerful reporting and analytical tool, to present information in a graphical form that is easy for high-level managers to understand, but when fully implemented, will give analysts the ability to drill down to the minutest detail. This system will be rolled out to agencies in 2006.

Partnering with Integrated Waste Management Department (IWMD) and CEO Purchasing in the Integrated Purchasing and Payables Processing (IP3) project. This project has a number of significant objectives the most important being to standardize the

IWMD Accounting invoices and collects over \$105 million over year in landfill deferred charges.

requisition, procurement and payables process via automation. A working model for the entire procurement and payment process will be used as the basis for a Countywide deployment. Figure A provides a more detailed overview of the project's objectives and key components. During the past year, processes have been mapped and key issues have been identified and are being addressed. These include significant cleanup efforts of existing commodity and vendor data to remove redundancies and to make information easier to find. Technological options have been evaluated for providing more intuitive web-based user interfaces and applications have been developed for requisition processing with other processes such as procurement, receiving and invoice processing to follow.



Elimination of data entry services. The Auditor-Controller has begun the process of eliminating data entry of paper-based documents. Journal Vouchers are now processed electronically and the agency's goal is to electronically workflow other paper-based documents such as Mileage Reimbursement Claims and Deposit Orders. A request for proposal for workflow software has been issued and proposals are being evaluated.

Development of a web-based Employee Pay Stub application. The Auditor-Controller prints and distributes paper remittance advices ("Pay Stubs") to 19,000 employees every two weeks. This is a manually intensive process which requires agency staff to drive to the



Auditor-Controller's central office to pick up the pay stubs and then distribute them throughout their respective agencies many of which have remote offices. The cost of this process is conservatively estimated to be \$400,000 annually. The web-based

application allows employees to have secure access to their pay stubs via the internet and totally eliminates the need for manual distribution. The system is in the process of being rolled out countywide and almost 13,000 employees now have access to the system. Rollout is expected to be completed by May 2006.

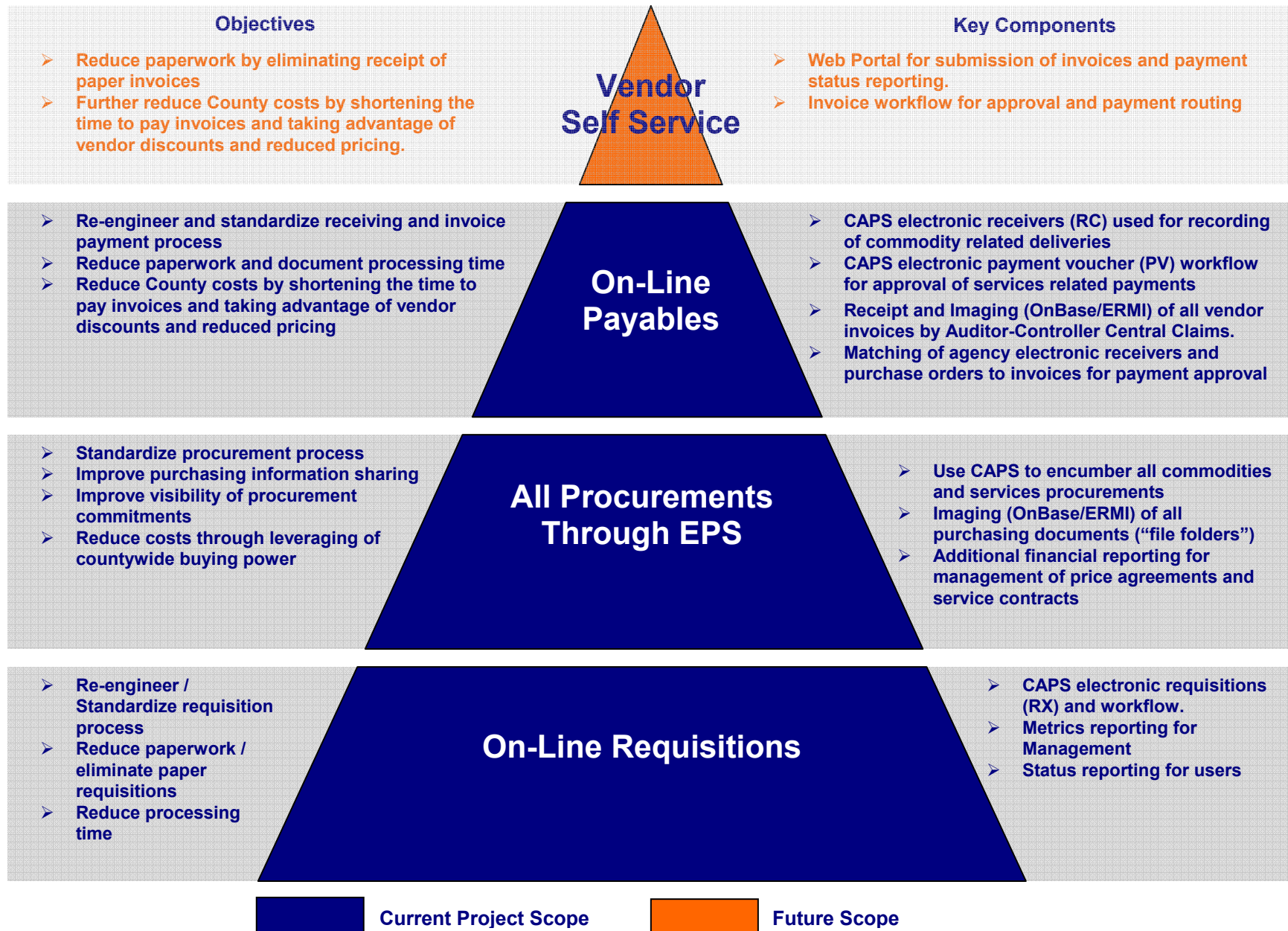
Ongoing rollout of Virtual Timesheet Interface (VTI). The upgrade of the system and consolidation of servers has been completed. Three agencies, Dana Point Harbor, Public Library and Public Administrator/Public Guardian, were added. This brings the number of employees utilizing VTI to approximately 12,000.

Partnering with Treasurer-Tax Collector for Electronic Funds Transfer (EFT) and Electronic Returned Items Processing. This will allow for electronic payments of vendor invoices and electronic processing of checks returned by the bank

Partnering with Treasurer-Tax Collector and the County's banking services provider to pilot the "Desktop Deposit" process. This will enable secure, electronic transfer of check images to the bank, thereby eliminating the need for handling of the paper check document and speeding up check clearance times."



Figure A: Integrated Procurement and Payables Processing (IP3)



The above-mentioned initiatives will require a number of resources from the CAPS Support staff resulting in fewer resources available for other enhancement requests. Prioritizing requests will be critical. Greater emphasis will be placed on quantifying the cost/benefit of any significant project such that payback occurs before the system is replaced. To that end, the CAPS Systems Management Team has developed a process to track requests and initiatives and produce a report that the CAPS Steering Committee can use to prioritize and approve requests. Planning for approved requests will be coordinated with CEO-IT as resources and support will be required from their organization.

Assessment Tax System (ATS)

The project to replace ATS is under way. Since this is the first significant application development project for the County in a number of years, the first priority for the ATS team has been to acquire software development tools that use industry standard design methodology such as Unified Modeling Language (UML). The application will be deployed using industry standard programming

The Property Tax section successfully implemented the complicated new legislation for triple-flip, VLF/Property Tax Swap, and ERAF III.



language frameworks such as Microsoft .NET or J2EE. The ATS team has selected Microsoft .NET as its development and deployment platform of choice. The team has also implemented IBM's Rational product for Application Lifecycle Management software and has begun a pilot project to become more familiar with it.

The ATS Team is also negotiating with a vendor for consulting services for conducting a needs assessment for ATS. The scope of this project includes:

- Identifying the processes associated with the Auditor-Controller (AC), Clerk of the Board (COB) and Treasurer-Tax Collector (TTC) Property Tax System.
- Documenting the existing process.
- Identifying areas for improvement in the existing system/processes.
- Developing a comprehensive System Requirements Specification for the new Property Tax System.
- Presenting alternative ways to implement the System, citing the advantages and disadvantages of each approach.
- Creating an Implementation Plan for the development of the AC, COB and TTC Property Tax System.

One key element to the ATS strategy will be funding for the project. We have identified approximately \$21 million of General Funds that needs to be incorporated in the Strategic Financial Plan. Some of these funds will be reimbursed through Property Tax Administration charges.

Training Management

The County acquired software for management of employee training. This software provides the ability to manage training schedules, online enrollment, tracking of employee training and certification, and development of specific training programs and curricula for employees. The Auditor-Controller has sponsored the implementation of this software as a pilot both at his Department and at SSA. The software has been implemented at SSA and has been deployed at the Auditor-Controller's department. The Auditor-Controller is also working with CEO-IT and RDMD for deployment in their organizations.

3. Monitoring and Mitigating Risk

As County departments change and reengineer their business processes to increase efficiencies and implement new technologies, the Auditor-Controller Department is consistently working to control risk at the appropriate level. Over-control of risks can create needless redundancies that add no value to the mitigation process. Failure to modify checks and balances for new business processes can lead to new risks.

County departments are now struggling to reduce their budgets, and as a result they are continuing to implement efficiencies and streamline operations. Performing more work with fewer resources can sometimes lead to unanticipated risks, and the Auditor-Controller Department will be working to ensure that all risk control measures are comprehensively enforced, and that the gate-keeping functions of the office remain secure. This is a high priority for the Department.

The Auditor-Controller's Office directs a wide array of processes to monitor and mitigate risks and looks to new, innovative processes for improvement. Following is a summary of some of these processes:

Client Surveys. A variety of client surveys are conducted and all Auditor-Controller operations are covered within a two-year cycle. This year's surveys are presented in Appendix G.

On-Site Tours. The Auditor-Controller tours all outstationed accounting operations at least once a year and meets with department heads to discuss these operations.

Agencies/Departments Visits. The Auditor-Controller meets with heads of Agencies/Departments which do not have outstationed accounting staff to discuss services provided by the Auditor-Controller's Accounting Operations and Information Technology Divisions.

Status Reports. Section managers prepare bimonthly status reports based on the "Balanced Score Card" concept. Key internal control areas, such as reconciliations, training, and audits are included as standard topics.

Annual Audits. The Auditor-Controller oversees annual audits of the County's financial records, conducted by an independent CPA firm, resulting in the issuance of a Comprehensive Annual Financial Report (CAFR), Single Audit Report and Component Unit Financial Statements.

Claims Unit Reviews. A new, quality assurance program (spot auditing) was recently implemented in the Claims (Accounts Payable/Contracts) Unit.

FRET. The implementation of the Fund Revenue and Expense Tracking (FRET) system is a key step in reducing financial risk throughout the County (discussed further in Section 2).

Claims/Reports Issuance. We are summarizing our standard procedures for preparing claims/reports and developing a checklist to help ensure these are consistently followed throughout the Department. It will also provide a good training tool for our new accountants.

Risk Assessment Survey. A formalized risk assessment project is currently underway throughout the Department. All units have completed a risk analysis and have rated their greatest risks using criteria designed to rank risks in order of highest to lowest. The next step is to evaluate existing controls and implement additional controls when necessary.

Sponsorship and Participation in the Steering Committees for CAPS and ATS.

Participation in the Audit Oversight Committee, Treasury Oversight Committee and Public Finance Advisory Committee.

4. Ongoing Need for Training

Training will continue to be emphasized as sophisticated tools, such as data mining for retrieving information, become readily available to the end-user. This is consistent with the strategic view that the

capability to manage and process information be pushed down to the user level. Funds needed for training staff on new technology enhancements and other job-related subjects have been included in the Department's Strategic Financial Plan.

5. Succession Planning

Auditor-Controller employees are a key resource for the successful operation of this department as well as other departments/agencies and the County as a whole. The value of its employees is clearly demonstrated by the fact that this department continually has key professional accountants and managers recruited away to other departments. The skills, knowledge and experience gained through service in this department provide a benefit to the other County departments/agencies to which its employees transfer. However, it also creates a vacuum in the Auditor-Controller Department, and the continual need to recruit, select and develop staff to replace those who have transferred. Adding to this, approximately 13% of the department's employees will reach age 55 during the next five years and have 20+ years of County service.

More immediately, the Auditor-Controller, like other County departments, incurred a significant loss of knowledge and expertise in July 2005 through the retirements of key staff (associated with enhanced retirement benefits). The Chief Assistant Auditor-Controller, as well as four other accounting managers retired in July 2005. To address this, we successfully implemented our succession plan immediately after the retirement exodus and transferred nearly fifty percent of our 100 professional accounting staff to new assignments. Six months later, it has been a success. Work continues to be successfully completed and major deadlines continue to be met.

While these circumstances represent opportunities for new ideas through promotions and selection of new staff, they also present a very real dilemma on how to manage turnover in key positions. However, through on-going succession planning, training and recognition of staff talent, we believe that the Department has the ability to fill the critical vacancies with excellent replacements. While some history is lost with turnover, new, creative ideas will balance that loss. Additionally, such turnover results in opportunities for new ideas and future leaders to step forward. In order to deal with this challenge, the Department has emphasized programs to develop the leadership skills of its staff to meet future requirements for succession to leadership positions.

C. Resources

The Auditor-Controller Department is organized into three major divisions: (1) Central Operations, (2) Satellite Accounting Operations, and (3) Information Technology. A smaller section that comes under the executive management umbrella is called CAPS Administration. Also, Departmental administration, including purchasing, human resources, budget and other support services, reports directly to the Chief Assistant Auditor-Controller. With a net County cost of \$9.2 million and \$21.2 million of cost apply and revenue from services provided mostly to other departments/agencies, the Auditor-Controller is dependent on the General Fund for much of its funding. Current budget issues confronting the County present additional challenges to Department resources and potential associated risk. The Organization Chart in Appendix A provides additional information on the structure of the Department.

1. Workforce

The Auditor-Controller believes that staff is the Department's most important resource because our accomplishments are dependent upon them. This belief is embodied in the Auditor-Controller's "Statement of Values," and is closely linked to both our Mission and Vision Statements. Staff is the common element in everything this Department does, from processing an accounting transaction to making a vendor payment to monitoring the County's multi-billion dollar budget. This is the case whether those tasks are done in an automated or manual manner.



Administration/HR/Staff Services

The success of the Auditor-Controller Department accomplishing its mission is a key to the success of County government meeting its responsibilities to Orange County residents. Part of staff's responsibility is to service all County departments that provide public services. Because of this, the Department has established programs to help ensure that staff has the necessary skills and motivation to carry out their responsibilities. Additionally, the newly implemented Training Partner (TP) system, has allowed employees to monitor, assess, and manage their professional training.

The Auditor Controller's office was able to track its compliance for the mandated FEMA training using the Training Partner (TP) system.

A key part of the Department's training efforts is the Thomas P. Horton (TPH) Accountant Training program implemented in 2001. This program provides our beginning accountants with the basics of governmental accounting and the specific processes we use to serve our clients. The Auditor-Controller Department recognizes the importance of this knowledge for all County financial staff; therefore, we plan to open the TPH Accountant Training program to other departments as space permits.

The emphasis on training and staff recognition are evident throughout this business plan. Minimum standards have been established for training, and recognition programs were developed and implemented, and have been, in some form, adopted by the County. Also, the Department's annual employee recognition efforts culminate at the employee recognition luncheon where all staff's hard work and accomplishments are acknowledged.



Regardless of the difficulties the County must overcome, the quality of staff is the constant among our resources and must be maintained. Staff will be required to accomplish the critical tasks and the growing workload without commensurate increases in numbers. Key concepts that the County must embrace to meet its challenges are training, recognition, communication, and empowerment of staff.

2. General Funding

The centralized accounting services provided by the Central Operations Division are financed by general-purpose revenues of the General Fund, with the exception of Collections/Accounts Receivable, which is reimbursed by client departments. The outstationed accounting teams in the Satellite Accounting Operations are funded entirely by the host departments/agencies (HCA, H&CS, IWMD, JWA, RDMD, CEO/Public Finance, and SSA) that have outside revenue sources. The Information Technology Division functions are funded with general-purpose revenues of the General Fund.



SSA Accounting-Payroll

3. Technology Issues

In order to meet the changing workload demands identified in the “Challenges” section and to maintain a high level of services to its clients, the Department has identified specific resource issues, which are discussed below:

Information Technology Division. As described earlier, staff is involved in the implementation of a number of significant process improvements using existing technology. Such efforts will continue to go on, as a new ERP application is not expected to go live for a number of years. Another reason to continue with these initiatives is that they will leave the County better prepared to implement the new ERP. Users who have already been through the exercise to business process improvement will be more receptive to the "Best Practices" that will come with the new ERP.

Consultants. In addition to day-to-day responsibilities, staff is expected to devote considerable time working with consultants in implementing the CAPS replacement strategy. We anticipate that we will be able to complete these tasks using existing resources, which includes three limited term positions.

CAPS. Depending on the outcome of the CAPS Strategic Assessment, additional limited-term Information Technology resources will also be required to support implementation of the chosen strategy. In addition, end-user staff is likely to be required to commit resources to be part of the project team. Limited-term staffing will be required to backfill these positions. The scheduling and sizing of these resources will vary, based on the timing of various phases of the project and will be finalized during development of the implementation plan.

ATS. Additional limited term resources have been authorized to support the ATS reengineering project. The scheduling and sizing of these resources will vary and will be finalized during development of the implementation plan.

D. Strategies to Accomplish Goals:

Strategic priorities and outcome indicators for each of the Department’s goals have been established for 2006. Although there are numerous strategic priorities, it is important to note that most of the Department’s resources will be expended on two of them: the successful daily operations of the County’s central accounting systems under Goal #1 (26%), and the provision of ongoing accounting services to host County departments/agencies under Goal #2 (74%).

Goal #1 is to assist in controlling the financial risk faced by the County. Strategies to accomplish this goal include:

Maintaining a leadership role on the County's financial management team for issues relating to financial oversight activities.

Providing additional information to management allowing increased oversight.

Reviewing the costing of collective bargaining strategies and contracts as directed by the Board of Supervisors.

A. The Outcome Indicator for this goal is to produce quarterly sets of FRET reports for review by department fiscal managers.

Performance Measure	FY 04-05 Results	FY 05-06 Plan	FY 05-06 Actual or Anticipated Results	FY 06-07 Plan	How are we doing?
<u>What:</u> Quarterly reporting of financial information, revenue and expenditures. <u>Why:</u> Provide data to departments/agencies on a regular basis to monitor budgetary standing.	Developed reports and verified their accuracy using Business Objects. In testing the report delivery process (PDF files), determined that an alternative approach (BO web Intelligence) was required and the server platform on which this application runs needed to be significantly upgraded to handle production volumes	Upgrade Server Platform, develop Report delivery process, implement pilot project, and begin rollout to Departments / Agencies	Successful pilot implementation.	Rollout reporting to all Departments / Agencies and refine reports where necessary.	Reports have been developed, server platform has been upgraded and we are working on report delivery process in preparation for pilot implementation.

B. The Outcome Indicator for this goal is have the Auditor-Controller represented on the following oversight committees: Treasurer Oversight Committee (TOC), Audit Oversight Committee (AOC), and Public Financing Advisory Committee (PFAC), and the County's Health & Wellness Commission.

Performance Measure	FY 04-05 Results	FY 05-06 Plan	FY 05-06 Actual or Anticipated Results	FY 06-07 Plan	How are we doing?
<u>What:</u> Auditor-Controller staff will attend 100% of these committee meetings.	New Measure.	Staff will attend all meetings.	100% of all meetings were attended by A-C staff.	Staff will attend all meetings	Continue to provide full support for these oversight committees.

C. The Outcome Indicator for this goal is to provide fiscal advice to the Board of Supervisors on all collective bargaining units.

Performance Measure	FY 04-05 Results	FY 05-06 Plan	FY 05-06 Actual or Anticipated Results	FY 06-07 Plan	How are we doing?
<u>What:</u> Meet and review bargaining strategies with the Board of Supervisors in closed sessions and provide advice as appropriate.	New Measure.	Review all collective bargaining strategies with the Board of Supervisors and provide advice as appropriate.	The Auditor Controller has responded to all requests to provide fiscal advice to the Board of Supervisors.	Review all collective bargaining strategies with the Board of Supervisors and provide advice as appropriate.	Continue to review fiscal advice on all collective bargaining agreements, as requested by the Board of Supervisors.

Goal #2 is to promote accountability by developing and enforcing systems of accounting controls. Strategies to accomplish this goal include:

Continuing to meet successfully the daily operations of the County's central accounting systems.

Staying current with all critical recurring accounting operations.

Assessing the risk and the adequacy of controls of the County's major transaction processing systems maintained by the Auditor-Controller.

A. The Outcome Indicator for this goal is to receive an unqualified opinion on compliance with laws, regulations, and provisions of contracts or grant agreements that could have a material effect on each major Federal program administered by the County.

Performance Measure	FY 04-05 Results	FY 05-06 Plan	FY 05-06 Actual or Anticipated Results	FY 06-07 Plan	How are we doing?
<p><u>What:</u> Measures compliance with requirements in administering Federal and State programs.</p> <p><u>Why:</u> Provides assurance to Federal and State agencies that there are no material weaknesses in controls affecting compliance.</p>	The County received unqualified opinions in all areas covered by the Single Audit Reports for FY 2003-04. The County administered over \$650 million in Federal dollars during FY 2004-05, which funded approximately 147 Federal programs.	Continue to monitor and review controls on Federal grant programs to insure receipt of unqualified opinions for the Single Audit Reports for FY 2004-05 and FY 2005-06.	The department fully expects to receive unqualified opinions in all areas in FY 2004-05 and FY 2005-06.	The department fully expects to receive unqualified opinions in all areas in FY 2006-07, and to continue to meet the requirements of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget (OMB) Circular A-133.	The County has received unqualified opinions in all areas covered by the Single Audit Reports for the past several years, with no material weaknesses in controls.

Goal #3 is to anticipate and satisfy our stakeholders' and clients' needs for financial services and reliable information. Strategies to meet this goal consist of:

Providing ongoing accounting services to departments/agencies.

Assessing customer satisfaction.

Supporting special projects requested by clients.

Preparing fiscal analyses of County ballot initiatives as requested by the Board of Supervisors.

Increasing the use of web-based information.

A. The Outcome Indicator for this goal is to receive a rating of at least 95% in overall satisfaction in the department's biennial Countywide client surveys of the department's central accounting sections (judgmental sample).

Performance Measure	FY 04-05 Results	FY 05-06 Plan	FY 05-06 Actual or Anticipated Results	FY 06-07 Plan	How are we doing?
<p><u>What:</u> Measures client satisfaction with services of the central A-C Department accounting sections.</p> <p><u>Why:</u> To meet and exceed expectations of County clients.</p>	The department received a rating of 90% in overall satisfaction in the survey of its central accounting sections, sent to County departments and agencies in 2005. 90% of these clients were "Very Satisfied" to "Satisfied" with the department's services	We plan to continue conducting our biennial surveys, alternating between central and outstationed accounting sections, and meet or exceed the rating goal.	We plan to meet or exceed the rating goal.	We plan to continue conducting our biennial surveys, alternating between central and outstationed accounting sections, and meet or exceed the rating goal.	Overall satisfaction decreased from the prior survey in the areas of timeliness and responsiveness. Significant personnel changes in the central operations accounting units due to the effects of retirements and staff rotations occurred shortly before the 2005 survey was conducted. As we move forward and staff completes their training, gains experience and increases efficiency, we expect the satisfaction levels for these areas to improve.

B. The Outcome Indicator for this goal is to receive a rating of at least 90% in overall satisfaction in the department's annual survey of County vendors (judgmental sample).

Performance Measure	FY 04-05 Results	FY 05-06 Plan	FY 05-06 Actual or Anticipated Results	FY 06-07 Plan	How are we doing?
<p><u>What:</u> Measures vendors' satisfaction with services provided.</p> <p><u>Why:</u> To meet and exceed the expectations of County vendors.</p>	The department received a rating of 84% in overall satisfaction in its survey of vendors conducted in 2005. The Courtesy section rating of the survey was 93%.	The department fully expects to meet or exceed the rating goal in its vendor survey in 2005.	The department fully expects to meet or exceed the rating goal in its vendor survey in 05-06.	The department will conduct this survey again in both 05-06 and 06-07 and fully expects to achieve its rating goal.	Overall satisfaction decreased from the prior survey. This result was not unexpected since at the time of the survey, the section had experienced a significant turnover in staff and was heavily committed to staff training. The survey showed that courtesy continued to be rated highly, however timeliness and responsiveness were rated lower. As job training continues, productivity will increase and we expect a return to higher rating in our next survey period.

C. The Outcome Indicator for this goal is to issue County employee biweekly paychecks on time for all 26 pay periods.

Performance Measure	FY 04-05 Results	FY 05-06 Plan	FY 05-06 Actual or Anticipated Results	FY 06-07 Plan	How are we doing?
What: Measures ability to meet biweekly County payroll deadlines. Why: To ensure the delivery of County services by County employees, and to maintain the financial well being of the employees themselves.	The biweekly payroll deadline was met for all pay periods in FY 2004-05.	The department expects to successfully complete all payroll cycles and meet all payroll deadlines for the year.	The department fully expects to continue to meet all biweekly payroll deadlines in FY 2005-06	The department also expects to meet this goal through FY 2006-07.	Despite the many complex terms and conditions required by various MOUs for 19,000 employees, the computation and issuance of the \$55 million biweekly payroll has never been missed, and employees are paid on time.

Goal #4 is to increase Countywide organizational effectiveness by making the appropriate investments in our staff and technology. Strategies to meet this goal include:

Continuing to stay current with American Management Systems (AMS) financial and human resources software product releases.

Maximizing the usability of existing accounting systems by expanding the use of existing assets such as ERMI, the Data Warehouse, functional user groups, VTI, Business Objects and workflow.

Implementing Online Training Management software to allow for easy enrollment in classes to County employees while allowing supervisors and managers to easily track progress of their staff.

Encouraging decentralized, secure, web-based transaction processing as a means to increase productivity and reduce processing time.

Enhancing work area efficiency and effectiveness.

Improving staff well being through employee training, recognition and other programs.

Continuing to fulfill the requirements of the Countywide performance management plans.

Developing leadership skills of staff to meet future requirements for succession to leadership positions.

The Outcome Indicators for this goal are as follows:***A. To reduce payroll processing labor hours by 25%.***

Performance Measure	FY 04-05 Results	FY 05-06 Plan	FY 05-06 Actual or Anticipated Results	FY 06-07 Plan	How are we doing?
<u>What:</u> Measures labor hours saved resulting from automation. <u>Why:</u> Manual payroll processing is labor intensive, time consuming and prone to errors. Payroll adjustments resulting from errors are even more costly.	Completed rollout of VTI at agencies (County Counsel, HCA, JWA). Implemented VTI 4.0. Converted current VTI 3.5 users to VTI 4.0. Consolidated agency servers to single server at County Data Center.	Continue with rollout of VTI. Also, resurvey departments on outcome measures	Add 3 agencies, (Public Library, Dana Point Harbor and Public Administrator/Public Guardian). Resurvey in Q3 of FY 05-06.	Implement VTI 4.4. Work with Probation on implementation of changes specific to their agency. Complete implementation at Public Defender's office.	21 of 26 agencies are now on VTI.

Please see Key Outcome Indicators #4 and #5 on pages 5 and 6 for additional measures related to this goal.

B. Efficiency measures of transaction cost.

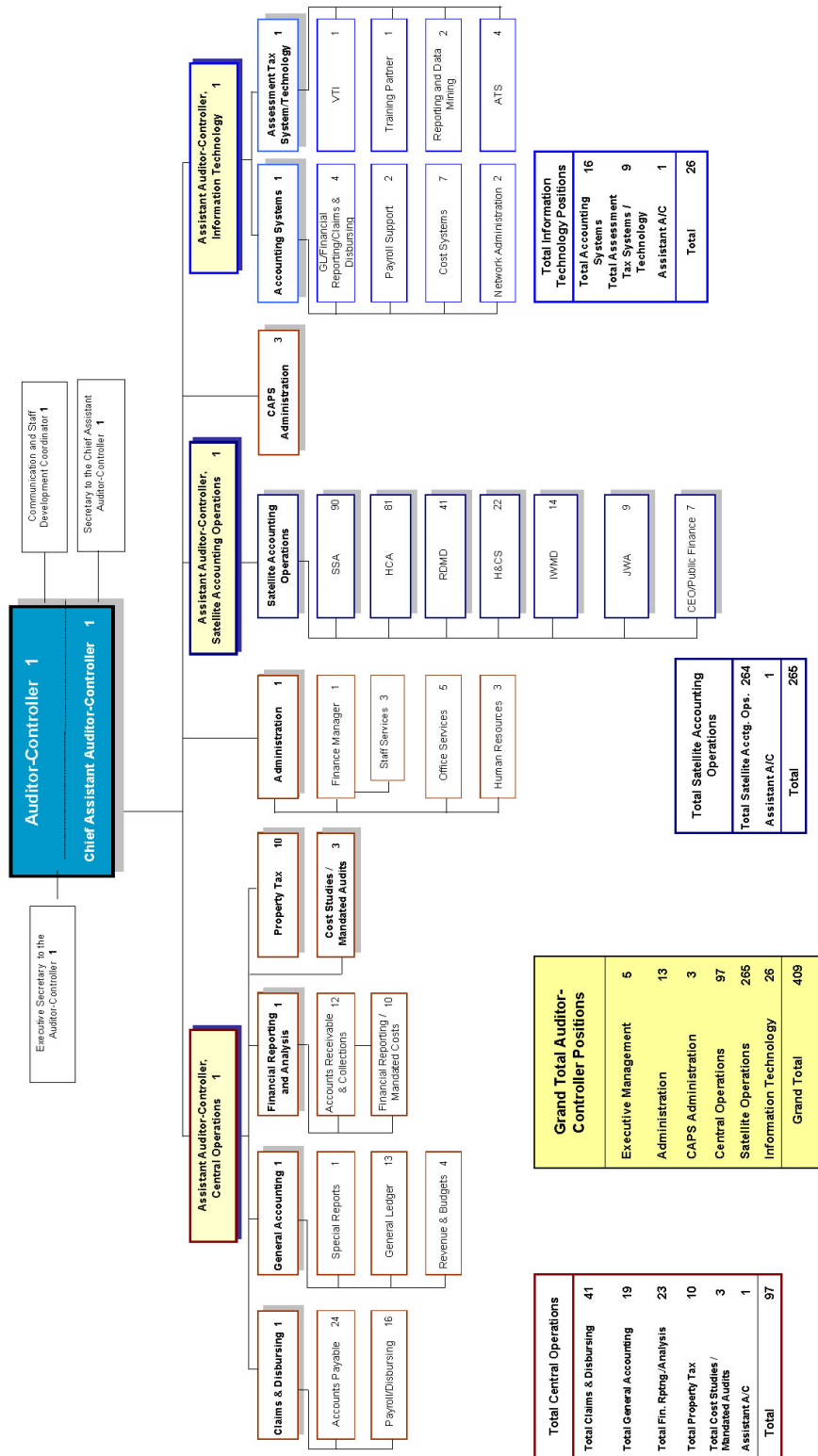
Performance Measure	FY 04-05 Results	FY 05-06 Plan	FY 05-06 Actual or Anticipated Results	FY 06-07 Plan	How are we doing?
<u>What:</u> Measures transaction cost. <u>Why:</u> To determine over time what the transaction cost for processing A/P invoices are and what impact if any results from increased workflow and decentralization.	Results for 04-05 are \$7.68 per invoice in total direct costs per invoice paid in central claims.	Compute the direct incremental costs associated with vendor invoice payment processing in central claims on a per invoice basis.	Results for 04-05 are \$7.68 per invoice in total direct costs per invoice paid in central claims. We anticipate that the 05-06 cost per invoice would be close to the 04-05 rate.	Compute 06-07 costs on the same basis as in 03-04.	Costs are in line with expectations and are actually lower when adjusted for inflation.

IV. APPENDICES

- A. Organization Chart
- B. Executive Management Team
- C. Leadership Cabinet
- D. Labor Management Committee
- E. Business Plan Team
- F. Accomplishments
- G. Client Survey Results
- H. Three-Year Workload Measures

A. ORGANIZATION CHART

ORANGE COUNTY AUDITOR-CONTROLLER
2006 Organization Chart
As of March 9, 2006



B. EXECUTIVE MANAGEMENT TEAM

David Sundstrom, Auditor-Controller, is the elected County official responsible for establishing accounting policies for the County and providing unbiased and accurate financial information to the Department's many clients.

Shaun Skelly, Chief Assistant Auditor-Controller, assists the Auditor-Controller in establishing accounting policies for the County and is responsible for planning, administering and directing the accounting work performed by the Auditor-Controller Department.

Jan Grimes, Assistant Auditor-Controller, Central Operations, plans, organizes and directs the general accounting, financial reporting, budget, cost accounting, tax accounting, special accounting, accounts payable disbursements and payroll functions of the Auditor-Controller Department, as well as the cost studies and mandated audits function.

Mahesh Patel, Assistant Auditor-Controller, Information Technology, plans, organizes and directs the Auditor-Controller Information Technology Division in support of the Countywide financial, payroll and property tax systems, ERMI, and departmental desktops, servers, and networks.

Bill Castro, Assistant Auditor-Controller, Satellite Accounting Operations, plans, organizes and supervises the Auditor-Controller Department's seven outstationed units that provide specific accounting services to HCA, H&CS, IWMD, JWA, RDMD, SSA, and the CEO/Public Finance Section.



C. LEADERSHIP CABINET

The Leadership cabinet is comprised of senior managers in the Department and is designed to enhance their knowledge of the Department and County through discussion of issues of importance to both the Department and the County. The Cabinet meets monthly and serves to keep the Department's senior managers apprised of issues affecting the County in general and the Auditor-Controller's Department in particular. This serves not only to enhance the day-to-day functioning of the Department, but also to provide the future top leaders with knowledge of the processes employed in making high-level decisions.

The members of the Leadership Cabinet are as follows:

- ❖ David Sundstrom, Auditor-Controller
- ❖ Shaun Skelly, Chief Assistant Auditor-Controller
- ❖ Jan Grimes, Assistant Auditor-Controller, Central Operations
- ❖ Mahesh Patel, Assistant Auditor-Controller, Information Technology
- ❖ Bill Castro, Assistant Auditor-Controller, Satellite Accounting Operations
- ❖ Terri Bruner, Administration and Human Resources
- ❖ Larry Chanda, CAPS Administration
- ❖ Phil Daigneau, Information Technology Manager
- ❖ Frank Davies, Property Tax Manager
- ❖ Espi Garcia, SSA Accounting Manager
- ❖ Mary Fitzgerald, RDMD Accounting Manager
- ❖ Colin Hoffmaster, General Accounting Manager
- ❖ Bob Leblow, Claims and Disbursing Manager
- ❖ Claire Moynihan, Financial Reporting and Analysis Manager
- ❖ Alice Sworder, HCA Accounting Manager

D. LABOR MANAGEMENT COMMITTEE

The Labor Management Committee (LMC), composed of members from the Auditor-Controller and Internal Audit Departments, was formed to encourage a cooperative, collaborative partnership approach to addressing and resolving workplace issues. This forum provides an opportunity for labor and management representatives to promote and maintain harmonious labor/management relations. This committee meets regularly to discuss and achieve mutually acceptable solutions to workplace issues, and to address other matters of concern affecting staff in the departments.

The Auditor-Controller members of the LMC are as follows:

- ❖ Bill Castro, Assistant Auditor-Controller, Satellite Accounting Operations
- ❖ Susan DeBaun, Manager, Human Resources
- ❖ Larry Edwards, Sr. Accounting Assistant, Claims/Accounts Payable-Non P.O.
- ❖ Audrey Greenhalgh, Sr. Accounting Office Supervisor, SSA Accounting
- ❖ Claire Moynihan, Manager, Financial Reporting and Analysis
- ❖ Josie Velasquez, Manager, HCA Accounting



E. BUSINESS PLAN TEAM

David E. Sundstrom, Auditor-Controller

Shaun Skelly, Chief Assistant Auditor-Controller

Jan Grimes, Assistant Auditor-Controller, Central Operations

Mahesh Patel, Assistant Auditor-Controller, Information Technology

Bill Castro, Assistant Auditor-Controller, Satellite Accounting Operations

Terri Bruner, Manager, Administration and Human Resources

Cindy Wong, Manager, Finance and Staff Services

Cecilia Novella, Manager, Executive Administration



F. ACCOMPLISHMENTS

The Auditor-Controller Department's success in meeting the goals set forth in its 2005 Business Plan is outlined below.

Legend:

- ✓ Objective met.
- Objective pending.

Goal #1: To assist in controlling the financial risk faced by the County.

❖ **Provide additional information to management allowing increased oversight.**

- Anticipated successful pilot for Fund Revenue / Expense Tracking (FRET) System.

❖ **Meet audit and oversight requirements of the Comprehensive Annual Financial Report, the Treasury Oversight Committee, the Audit Oversight Committee, the Public Finance Advisory Committee, and others.**

- ✓ Auditor-Controller and /or representative attended all scheduled meetings
- ✓ Received the GFOA *Certificate of Achievement for Excellence in Financial Reporting* for the FY 2003-04 CAFR.

❖ **Maintain a leadership role on the County's financial management team for issues relating to financial oversight activities**

- ✓ Participated in the Strategic Financial Planning.
- ✓ Wrote analysis on several financial issues.
- ✓ Prepared four General Fund Available Financing Reports as requested by the CEO.
- ✓ Provided General Fund level revenue data to the CEO and Chapman University consultants for use in the Strategic Financial Plan.
- ✓ Supplied debt service and bond-related information to CEO/Strategic & Intergovernmental Affairs.
- ✓ Participated on the Strategic Financial Planning Committee.



❖ **Work with the Internal Audit Department to determine responsibility for ensuring completion of certain audits needed to satisfy Auditor-Controller audit mandates and Internal Audit's risk assessment results.**

- ✓ Determined that all Auditor-Controller mandates were met.

❖ **Special Projects**

- ✓ Analytical support for labor negotiation process.
- ✓ As chair of the Measure M Citizens Oversight Committee.
- ✓ Maintained appropriation control over a \$4.2 billion budget



- ✓ Participated in the oversight of the investment of the county's \$5.2 billion investment pool
- ✓ Helped oversee the county's control structure through the Audit Oversight Committee
- ✓ Reviewed the county's financings through participation on the Public Finance Advisory Committee
- ✓ As chair of State Auditor Controller Association's legislative committee, assisted in preventing costly and needless legislation detrimental to the county
- ✓ Promoted the accounting profession at the national and state level by active participation in the Western Intergovernmental Audit Forum and the National Intergovernmental Audit Forum
- ✓ Successfully allocated \$4.9 billion in property taxes
- ✓ Anticipated resolution of the Bunker case
- ✓ Assist in the Barrett case
- ❑ Participation in County Wellness Commission
- ❑ Oversee implementation of GASB 45



Goal #2: To promote accountability by developing and enforcing systems of accounting controls.

- ✓ **Implementation of on-line chart of accounts.**
- ✓ **Improved CAPS security by instituting a self-audit program**
- ✓ **Met service level objectives for the financial system (both reporting and processing).**
- ✓ **Met goal of enforcing system of internal controls.**



- ❖ **Successful daily operation of the County's central accounting systems and operations.**
 - ✓ Completed the County's FY 2004-05 CAFR and component unit financial statements in compliance with Generally Accepted Accounting Standards (GAAP) by scheduled deadlines with unqualified audit opinions for all statements.
 - ✓ Met daily, biweekly, monthly or other deadlines for basic services such as payroll, property tax distributions, vendor payments, revenue collection and reporting, appropriation/budget control, reports to the Board, and submission of State and Federal reports.
 - ✓ Met predetermined time frames for closing the County's books after year-end in FY 2004-05.
- ❖ **Stay current with all critical recurring accounting operations.**
 - ✓ Completed 1st (budgetary basis) and 2nd (CAFR fund level), and 3rd (government-wide) fiscal year-end closing processes of County's books timely for FY 2004-05.
- ❖ **Assess the risk and the adequacy of controls of the County's major transaction processing systems maintained by the Auditor-Controller.**
 - ❑ Additional controls implemented for Electronic Funds Transfer in Financial and Payroll Applications

Goal #3: To anticipate and satisfy our stakeholders' and clients' needs for financial services and reliable information.

❖ **Provide ongoing accounting services to departments/agencies.**

- ✓ Completed site visits with department heads of host departments/agencies to assess satisfaction in meeting their accounting needs.
- ✓ Received feedback that the department is meeting the accounting needs of host departments/agencies as they were requested and agreed to, including claiming, payroll, reconciliations, cash monitoring, etc.
- ✓ Maintained agreements with client departments/agencies to identify accounting activities and responsibilities, which are being reviewed.
- ❑ Rollout of Pay Adjustment Workflow to County Agencies
- ❑ Implementation of Employee Pay Stub Application



❖ **Assess customer satisfaction.**

- ✓ Completed biennial client survey of services performed by Auditor-Controller Central Operations.
- ✓ Completed annual client satisfaction surveys of vendors, and received high satisfaction ratings.
- ✓ Continued to implement appropriate changes requested as a result of our client surveys.

❖ **Support special projects.**

- ✓ Worked with CEO and HCA on implementation of Health Insurance Portability and Accountability Act (HIPAA) requirements, including the Security Rule phase.
- ✓ Completion of deferred revenue account analysis and reclassification.
- ✓ Completed client satisfaction surveys.
- ✓ Automating the upload of summary billing invoices into the CUTS System for SCE and Cal Net.
- ✓ Successful implementation of the 2005 succession plan.
- ✓ Completed mandated, department wide NIMS Training.
- ✓ Hosted annual State Controller's Conference with County Auditors.
- ✓ Participated in the State Association of County Auditors as the Vice President
- ✓ Assisted in the design, building, testing and implementation of the "ProFit" billing module of HCA's management information system.
- ❑ President-elect of the State Association of County Auditors.
- ❑ Assisting in the development of a CAPS disaster recovery plan.
- ❑ Participating on the CalWIN implementation team.
- ❑ Participation in Labor/Management Retiree Medical Working Group.
- ❑ Rollout of online Office Expense system at HCA



Goal #4: To increase Countywide organizational effectiveness by making the appropriate investments in our staff and technology.

❖ **Stay current with AMS Financial and Human Resources Software Product Releases.**

- ✓ Increased accountability and access through ERMI and the website.
- ✓ Implemented the latest subreleases of AMS Financial and HR software product

❖ **Evaluate new financial system modules such as fixed assets, retro-pay and 3-way match, and implement if appropriate for the County.**

- ☐ Feasibility analysis for Fixed Asset Subsystem deferred until CAPS Replacement Project.
- ☐ Testing of 3-Way Match functionality for the IP3 project

❖ **ATS Replacement.**

- ✓ Acquisition and installation of “Development Tool” software for ATS.
- ☐ Commence Needs Assessment engagement with consultant.



❖ **Maximize usability of existing accounting systems for Auditor-Controller and other County users by expanding the use of existing assets such as ERMI, the Data Warehouse, functional user groups, VTI, and workflow.**

- ☐ Continuing to work jointly with GCAP Business Services to identify Desktop (GUI) business functions and workflows. Also rolling out workflow projects for payroll adjustments.
- ☐ Continuing to develop tasks on establishing formal channels of communication with CAPS user groups, in concert with refinement of the CAPS Strategic Plan. Creation of a Payroll Users Group is in the planning stages.
- ☐ In conjunction with CEO, continued implementation of the “CAPS University” with training and supporting documentation for all areas of the CAPS Systems. Developed and presented an Advanced Client ERMI training class.
- ✓ Continuing to develop appropriate survey instruments to measure progress in meeting financial system users' needs, in concert with refinement of the CAPS Strategic Plan.
- ☐ Further Countywide rollout of the virtual timesheet interface. Implemented three more agencies onto VTI.
- ☐ Anticipated successful pilot for Integrated Procurement & Payables Processing (IP3) Project
- ✓ Converted all VTI agencies to version 4.0 and consolidated to a single server.
- ✓ Implemented all required changes to the CAPS Systems mandated by County, State, and Federal entities. Examples include:
 - Implemented all negotiated MOU changes to the Payroll System.
 - Revised Federal and State annual wage reporting.



❖ **Encourage decentralized, secure, web-based transaction processing as a means to increase productivity and reduce processing time.**

❖ **Encourage decentralized transaction processing as a means to increase efficiency by moving the controlling process to where the authorization is exercised.**

- ✓ Successful pilot implementation of internet based office supplies procurement / invoicing system
- ❑ Pilot program to workflow mileage claims.

❖ **Enhance work area efficiency and effectiveness.**

- ✓ Remodeled office areas in central operations.
- ✓ Financial Reporting, Collections, Cost, Administration and ATS unit relocation and remodel completed.
- ✓ Improved office physical security access.
- ❑ Remodel of basement area in Building 12 to accommodate training rooms and additional office space.



❖ **Improve staff well being through employee training, recognition and other programs.**

- ✓ Continued publication of quarterly newsletter to increase communication throughout the department.
- ✓ Continued development of employee recognition program that allows managers, supervisors and employees to acknowledge outstanding achievement.
- ✓ Provided additional employee training and staff development opportunities.

❖ **Develop leadership skills of staff to meet future requirements for succession to leadership positions.**

- ✓ Continued leadership cabinet, which meets on a monthly basis.
- ✓ Continued TPH Training for new accountants on a yearly basis.
- ❑ Expand TPH Training to semi-annual basis and include financial staff from other departments when space permits.

❖ **Provided additional employee training and staff development opportunities.**

- ✓ Management participation in the OC Leadership Academy.



❖ **Support special technology projects.**

- ✓ Expanding the concept of document imaging throughout the department.
- ❑ Create a web portal for citizen access to expired check information.

❖ **Review Systems function to leverage financial information resources.**

- ❑ Assessing resource needs to implement new financial system modules while providing ongoing support for daily operations.
- ❑ Conducted Strategic Assessment of CAPS future direction.

G. CLIENT SURVEY RESULTS

The following summarizes the results of the Countywide Client Survey and Vendor Survey conducted earlier this year:

Biennial Central Operations Survey

In 2005, as part of its ongoing efforts to better meet the needs of its clients, the Auditor-Controller Department conducted a client satisfaction survey of all County departments and agencies. A similar survey was conducted in 2003.

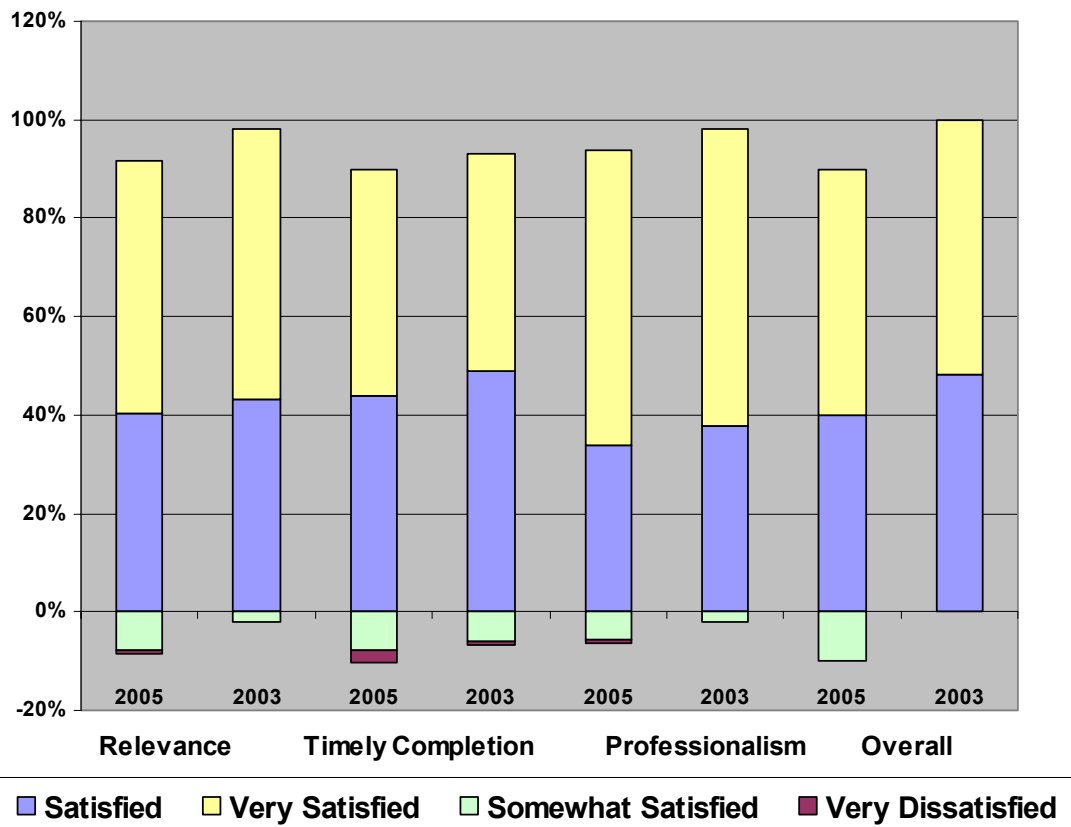
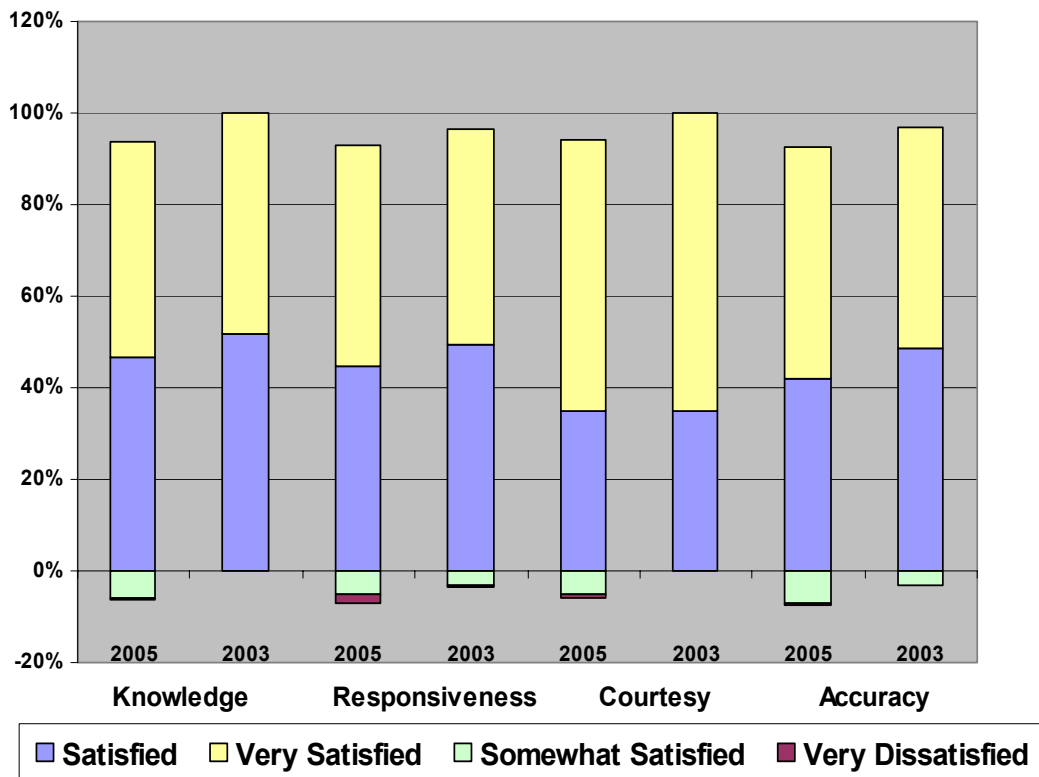
The surveys asked respondents to rate various sections of the Auditor-Controller department in the areas of: **knowledge, responsiveness, courtesy/friendliness, accuracy, relevance (value of product), timely completion of work, and professionalism**. The sections of the department that respondents were asked to rate included: Accounts Payable, Payroll, General Ledger, Revenue & Budget Services, Financial Reporting, Collections/Accounts Receivable and Cost Studies and Mandated Audits. Respondents were also asked to provide an **Overall Department** rating.

The survey asked the respondents to select one of four levels of satisfaction, which included “**Very Satisfied, Satisfied, Somewhat Dissatisfied, and Very Dissatisfied**,” and to provide comments if desired.

The accompanying charts summarize the results of the survey for the department and its respective sections: results for 2005 and 2003 are shown for comparative purposes.

In reviewing the survey results for 2005, the three areas of greatest strengths were the **courtesy/friendliness, professionalism, and knowledge** of the Auditor-Controller staff. The survey also highlighted areas of opportunity for improvement. In particular, respondents called for improved timeliness in the accounts payable cycle, responsiveness to inquiries and system enhancements in automating the purchasing and payment system. This survey was conducted in October/November 2005, shortly after significant personnel changes in the central operations accounting units due to the effects of retirements and staff rotations. The satisfaction levels in the areas of timeliness and responsiveness decreased compared to prior year survey results. As we move forward and staff completes their training, gains experience and increases efficiency, we expect the satisfaction levels for these areas to improve. Based on the feedback received, 90% of the department’s County clients are satisfied or very satisfied overall with the level of service they are provided. The department will continue to focus its efforts on enhancing the services in the requested areas identified through this survey process.

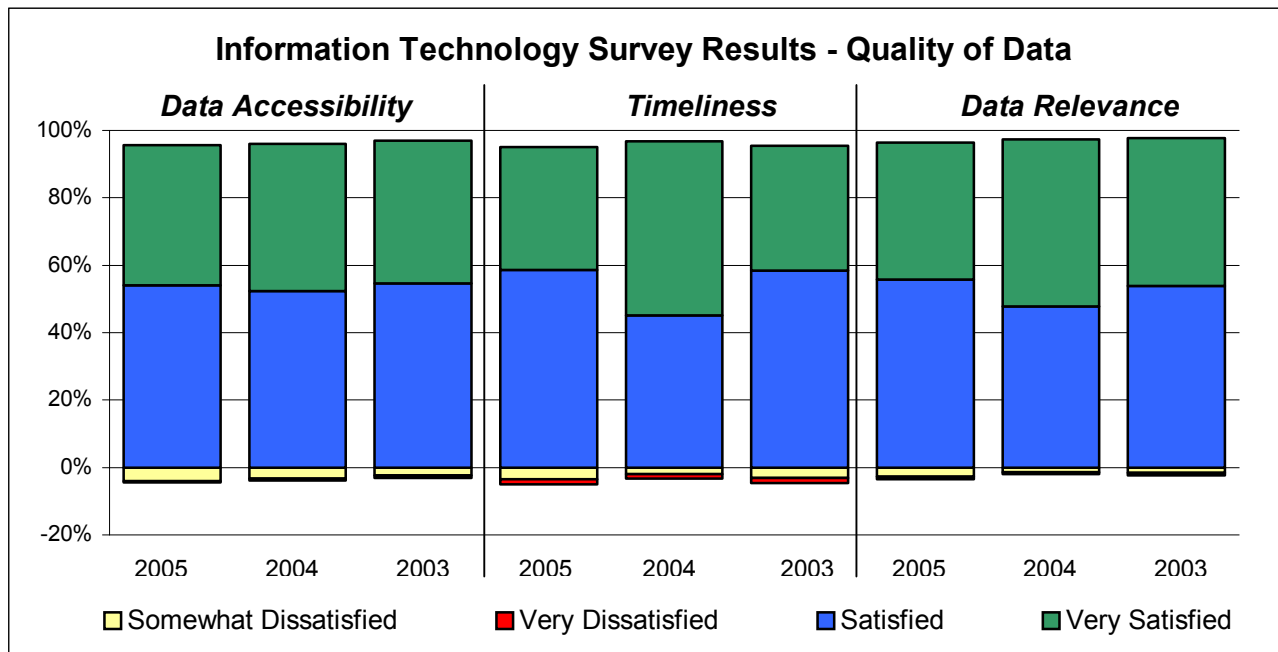
**Countywide Client Survey
Central Operations**

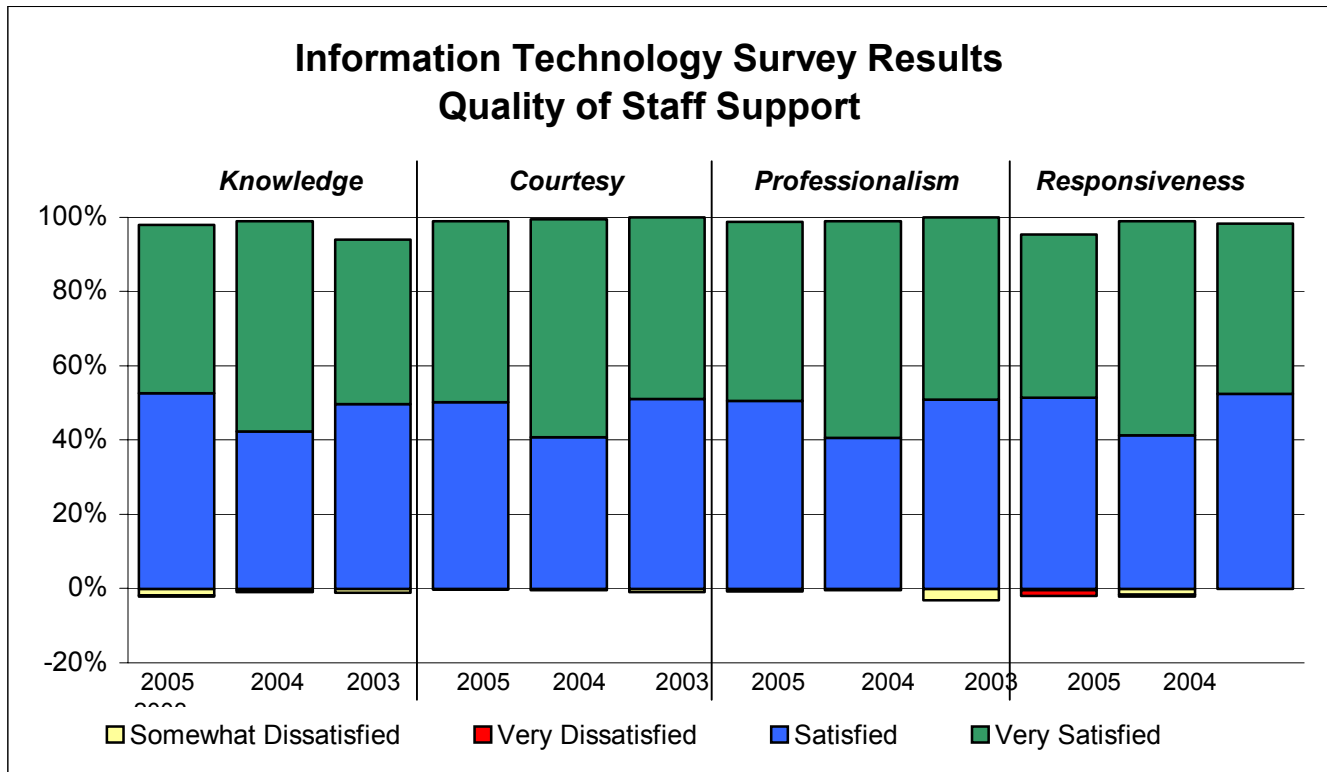


Countywide Client Survey – Information Technology

In 2005, Information Technology Division of the Auditor-Controller Department broadened its annual survey participant base to include all 1,800 users of the CAPS system. The web-based survey asked users to respond to questions related to their level of satisfaction with both the quality of information provided by the CAPS system and the level of service provided by staff. The survey measured satisfaction in the functional areas of General Accounting, Claims/Payment Processing, Fixed Assets, Job Cost, Labor Distribution, Payroll, VTI and ERMI. We received over 468 responses in comparison with 78 responses the prior year. The overall results are shown in the quality of data chart and the quality of support chart provided below.

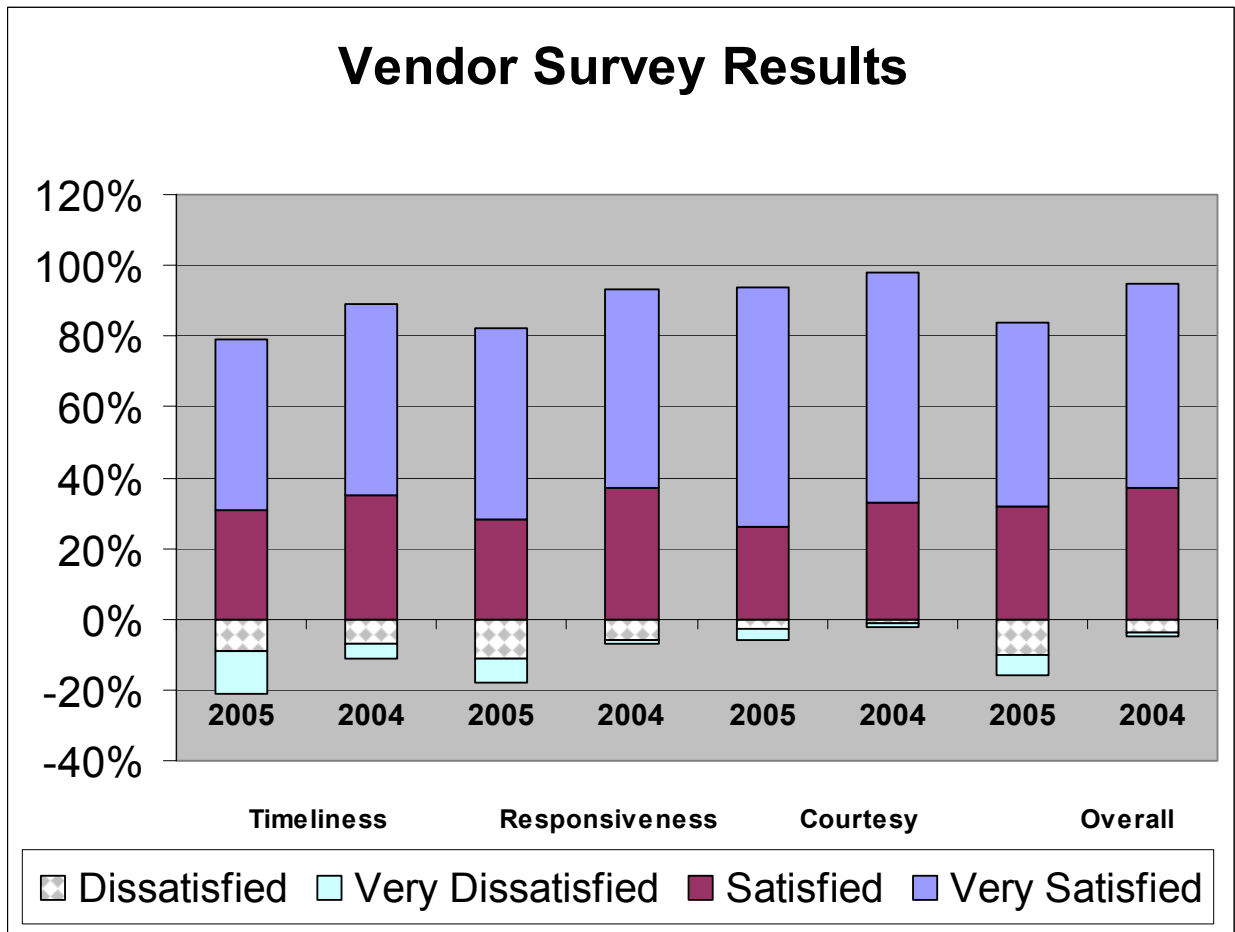
While the overall results clearly exceed the user satisfaction target of 90% or higher, the larger survey population sheds light on areas to be addressed such as timeliness of data and responsiveness of staff.





Vendor Survey

The vendor survey of the claims processing function resulted in an overall rating of 84% of vendors being “Satisfied” to “Very Satisfied” with the County’s payment processing services. Once again, the area with the highest rating was “**Courtesy**” (93%), which decreased from 98% last year. “**Responsiveness**” (82%), decreased from 93% last year. “**Timeliness**” also showed a decrease from an 89% to a 79% favorable rating. The survey was conducted in the fall, approximately three months after a significant turnover in staff.



H. THREE-YEAR WORKLOAD MEASURES

As discussed in the Operational Plan, the Auditor-Controller provides a wide variety of services to its many clients. Selected samples of the department's workload over the past three fiscal years are presented below.

	2002-03	2003-04	2004-05
Mandated Cost Claims Filed	42	60	46
Journal Vouchers Processed	18,256	18,511	18,668
Deposit Orders Processed	24,719	23,993	24,032
Countywide Employee Payroll Count (includes Superior Court and independent Special Districts using County Payroll System)	19,197	19,065	19,269
Employees in Host Dept/Agencies for which Payroll is processed by Auditor-Controller Staff (HCA, HCS, IWMD, JWA, SSA)	6,933	7,119	7,213
Mileage Claims Processed by Auditor-Controller Staff for Host Dept/Agency Employees (HCA, HCS, IWMD, JWA, SSA)	26,599	19,099	21,462
Statements of Aid Processed (SSA)	1,601	1,938	1,516
Accounting Policies Revised/Issued	1	1	1
Reconciliations Performed	16,617	15,386	15,884
Scanned Document Pages	693,104	664,821	695,754
Accounts Payable Vendor Invoices:			
Central Claims and Accounts Payable Units	203,243	177,233	172,425
Decentralized Contract Payments	<u>11,549</u>	<u>12,074</u>	<u>12,685</u>
Total Vendor/Contract Payments	214,792	189,307	185,110
Accounts Receivable Invoices and Billings	432,351	451,447	434,109
Property Tax Bills Prepared	1,116,704	1,066,005	1,136,302
Property Tax Refunds and Corrections	57,348	68,194	62,005
Internal and External Reports Issued and Consolidated Claims Processed	3,598	3,937	4,023
Number of Checks Issued (**Includes EBT benefits as of 3/03) (Claims, Child Support, Welfare, HCS)	1,465,776	**1,742,628	1,793,987
Open Collection Accounts (Collections, SSA)	69,611	72,842	63,477